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S E C R E T SECTION 01 OF 02 RPO DUBAI 000047

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SUBJECT: IRANIAN MERCHANT CLASS PREFERS POLITICAL STATUS QUO

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CLASSIFIED BY: Amy Madsen, Acting Director, Iran Regional
Presence Office, Department of State.
REASON: 1.4 (b), (d)

1.(S) Summary: The influence of the traditional Iranian merchant class, the bazaaris, remains unchanged in Iran, said one third-generation bazaari steel broker. (Note: Throughout much of Iranian history, the bazaaris and the clergy have been mutually-reinforcing centers of economic and political influence. End note) The only difference, claimed the steel broker, is that the bazaaris have become disillusioned with the "mullahs" because they feel that the majority of the clerics are more interested in lining their own pockets than upholding ideological ideals. Despite their collective disillusionment, the bazaaris are not at present interested in effecting change in the government, the steel broker alleged. The last time the bazaaris helped to finance a revolution the outcome was not what they had hoped, he said, adding that while "every" bazaari knows the current system is "sick," no one wants to risk investing in a new system which could turn out to be worse for their interests. Separately, the steel broker claimed the real estate market in Tehran has taken a down turn the last two months; this claim has not been substantiated by other sources. End Summary.

Financial backers of the revolution

2.(S) IRPoff met with a third-generation bazaari steel broker and seyyed August 13. (Note: The term "seyyed" refers to a descendant of the Prophet Mohammad. End note) According to this source, bazaari influence and relations with the clergy in Iran has not changed since the start of the revolution. (Note: Throughout much of Iranian history, the bazaaris and the clergy have been mutually-reinforcing centers of economic and political influence. Both groups played important roles in the Iranian constitutional revolution of 1905-1906, and bazaaris funded much of the activities of the clergy in support of the 1979 revolution. End note) The steel broker alleged that the bazaaris were the money behind the "mullahs who instigated the revolution." (Note: The steel broker repeatedly referred to members of the ruling clerical class using the somewhat pejorative term "mullahs." End note) He said that his grandfather was instrumental to the revolution, providing money to the cause and publishing pamphlets about the goals of the revolution that were widely distributed in the bazaar. The broker said that the bazaaris did not support the revolution for financial benefit. He claimed that though the bazaaris enjoyed international access and prestige under the Shah's regime, they supported the revolution for ideological reasons.

3.(S) The steel broker claimed that since the revolution, the bazaaris have become disillusioned with the clergy and feel that the clerics place greater importance on lining their own pockets than governing according to religious ideology. Describing the business relationship between the clerics and the bazaaris, he said that the clerics hold the import and export licenses, but that they need the bazaaris to move the money and the goods; this relationship has not changed over the past 30 years, claimed the broker.

No interest in changing the system

4.(S) The bazaaris have no plans to try to effect change in the Iranian government or amongst the clerics, alleged the steel broker. Despite widespread bazaari dissatisfaction with the Islamic Republic, which in the opinion of this particular trader is "sick," the bazaari class is afraid that any attempts to change the current system could make the situation worse. The last time traders put their money behind a revolution, this was the case, he said. The steel broker said that at least bazaaris know how to operate in the current system, it is one they understand and are invested in, he said. However, echoing anecdotal comments of Iranian businesses writ-large, the steel trader complained of an increasingly difficult economic environment for Iran-based businesses; describing difficulties in financing imports and finding suitable trade partners.

Real Estate

5.(C) Separately, the steel broker claimed that real estate prices in Tehran have taken a down turn in the last two months.

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He alleged that investors are choosing to leave their money in the bank and live off the interest, as opposed to investing in Tehran's real estate market. Additionally, the single source claimed that Iranian investments abroad, such as in Dubai, are on the rise.

6.(C)Comment: IRPO does not have any information to substantiate the claim that real estate in Tehran is on the decline or that investments by Iranians in Dubai are on the rise. This is the first source that has claimed a decline in the Tehran real estate market and this seems contrary to economic realities given that inflation is higher than interest rates. Any would-be bank account holder should be facing a loss by keeping their money in the bank.

7.(S) Comment continued: While this cable is based on a single source, IRPOffs have heard from a variety of Iranians the sentiment that it is preferable to live under the current system than to try to implement political change that could result in a much worse situation.

MADSEN